

Message Text

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ACTION TRSE-00

INFO OCT-01 ARA-11 IO-13 ISO-00 STR-07 STRE-00 AGRE-00
CEA-01 CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01
INR-10 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01
CTME-00 AID-05 SS-15 ITC-01 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 XMB-02 OPIC-03 JUSE-00 /130 W
-----082326 112243Z /75

P 112145Z SEP 78
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC PRIORITY 8965
INFO USMISSION GENEVA PRIORITY

C O N F I D E N T I A L BRASILIA 7113

PASS TREASURY AND STR

E.O. 11652: GDS
TAGS: ETRD, EFIN, BR
SUBJECT: U.S. BRAZIL TALKS ON SUBSIDIES/CVD CODE

REFS: A) STATE 218148
B) STATE 221701
C) GENEVA 13492
D) BRASILIA 7066

1. DORNELLES CALLED FINATT MONDAY NOON TO RELATE INTERNAL
GOB STATE OF PLAY ON U.S. PROPOSAL (REF A & B) AND TO SEEK U.S.
ASSISTANCE IN ENCOURAGING EARLY GOB DECISION AND RESPONSE.

2. DORNELLES REPORTED THAT PRELIMINARY RESPONSE ON CODE PROPOSAL
CONVEYED IN LUNCHEON MEETING WITH HIM AND BOTAFOGO (REF D, PARA 6)
REFLECTED CONSENSUS OF MINISTRY OF FINANCE AND ECONOMIC
DEPARTMENT OF FOREIGN MINISTRY. HE SAID THAT MINISTER OF
PLANNING VELLOSO AND MINISTER OF INDUSTRY AND COMMERCE
CALMON DE SA ARE ESSENTIALLY IN AGREEMENT AND PREPARED TO
SUPPORT GOB COMMITMENTS TO PHASEOUT EXPORT SUBSIDIES.
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VELLOSO REPORTEDLY FAVORS BEING MORE EXPLICIT IN
SUBSEQUENT TALKS ABOUT TIMEFRAME FOR IMPLEMENTATION OF
CODE (I.E., SELECTIVE 5 YEAR PHASOUT BEGINNING 6
MONTHS AFTER CODE BECOMES EFFECTIVE). CALMON DE SA
APPARENTLY INCLINED TO USE HIS POSITION ON CODE TO
BARGAIN ON NON-RELATED ISSUES WITH FINANCE MINISTRY.
BOTH VELLOSO AND CALMON DE SA, HOWEVER, ARE SYMPATHETIC

WITH PROPOSAL AND AGREE WITH DESIRABILITY OF EARLY POSITIVE RESPONSE.

3. ACCORDING TO DORNELLES, HOWEVER, FOREIGN MINISTER SILVEIRA IS CURRENTLY SERIOUS OBSTACLE TO GOB DECISION. SILVEIRA REPORTEDLY REACTED EMOTIONALLY TO PRESENTATION BY PROENCA ROSA, SAYING THAT BRAZIL SHOULD NOT RESPOND TO U.S. PROPOSAL BECAUSE: 1) THE U.S. IS SIMPLY TRYING TO USE BRAZIL FOR ITS PURPOSES; 2) BRAZIL HAS NOTHING TO LOSE BY STAYING OUT OF CODE; 3) BRAZIL REALLY HAS A VERY LIMITED ROLE TO PLAY IN CODE NEGOTIATIONS AND LIMITED INFLUENCE ON OTHER LDCS; 4) THERE IS NO NEED FOR URGENCY BECAUSE GENEVA TALKS WILL EXTEND WELL INTO 1979.

4. DORNELLES BELIEVES THAT WITHOUT ADDITIONAL QUOTE PRESSURE END QUOTE SILVEIRA MAY BE ABLE TO PURSUADE PRESIDENT GEISEL TO DELAY REPLY ON PROPOSAL AND VIRTUALLY LEAVE GOB DELEGATION IN GENEVA WITHOUT FIRM INSTRUCTIONS. BASED ON DORNELLES AND FINATT DISCUSSIONS OF SITUATION, EMBASSY RECOMMENDS THE FOLLOWING ACTIONS: A) FOR TREASURY - THAT, SECRETARY BLUMENTHAL SEND LETEER (TELEGRAPHICALLY VIA EMBASSY) TO MINISTER SIMONSEN COMMENTING ON THE RECENT CONSTRUCTIVE TALKS BETWEEN DORNELLES AND ASSISTANT SECRETARY BERGSTEN AND EXPRESSING HOPE THAT GOB WILL BE ABLE TO RESPOND TO U.S. PROPOSAL
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ON S&D IN CODE IN VERY NEAR FUTURE; B) FOR U.S. MISSION GENEVA - THAT, AMBASSADOR MCDONALD BE INSTRUCTED TO CALL ON AMBASSADOR MACIEL AS FOLLOW-UP TO PROPOSAL PASSED TO BRAZIL DELEGATION (REF C) AND URGE UPON MACIEL IMPORTANCE OF SOONEST POSSIBLE GOB DECISION AND RESPONSE IN ORDER FOR U.S. AND BRAZIL TO COORDINATE POSITIONS AND FOR BRAZIL TO PLAY AN IMPORTANT PART IN BRINGING ALONG OTHER COUNTRIES IN SUPPORT OF MUTUALLY AGREEABLE SUBSIDIES/ CVD CODE.

5. COMMENT - DORNELLES SUGGESTED THAT CALL ON MACIEL IS OF UTMOST IMPORTANCE AND SHOULD BE MADE AS SOON AS POSSIBLE. HE ALSO SUGGESTED THAT U.S. SIDE MIGHT STRESS IMPORTANCE OF OVERALL PACKAGE INVOLVING TEXTILE CASE, CODE, AND OTHER MTN ISSUES. FINALLY, DORNELLES COMMENTED THAT U.S. MIGHT JUSTIFIABLY SUGGEST TO MACIEL THAT U.S. MAY HAVE TO SEEK COOPERATION AND LEADERSHIP OF OTHER MAJOR LDC(S) IF BRAZIL IS UNABLE TO GET ITS ACT TOGETHER IN VERY NEAR FUTURE. WE AGREE THAT FOLLOW-UP IN GENEVA MAY BE HELPFUL BUT WE WOULD REJECT DORNELLES REFERENCE TO PRESSURE AND IMPLIED THREATS AS BEING POTENTIALLY COUNTERPRODUCTIVE. INSTEAD

OF ASSUMING A POSTURE THAT MIGHT APPEAR TO
CONFIRM SILVEIRA'S APPARENT SUSPICIONS OF THE U.S.
MOTIVES, WE STRONGLY SUGGEST THAT OUR APPROACH STRESS
THE LEGITIMATE POSITIVE ROLE BRAZIL CAN AND SHOULD
PLAY IN ITS OWN INTERESTS AS THE REASON WE ARE
ANXIOUS FOR AN EARLY RESPONSE TO OUR CODE PROPOSAL.
FINALLY, WE UNDERSTAND SILVEIRA'S REACTION TO BE
FOCUSED ON OUR PROPOSAL REGARDING THE CODE AND NOT ON
OUR SEPARATE BUT RELATED TALKS ON THE PENDING TEXTILE
DECISION. END COMMENT.
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